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May 9, 1983

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GOVERNMENT
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Honorable John Vasconcellos, Chairperson
Assembly Ways and Means Committee

Honorable Alfred E. Alquist, Chairperson
Senate Finance Committee

Gentlemen:

On April 19, 1983, we released an update on the status of the General Fund. The major thrust of that revision was a new economic forecast based on our estimate of the strength of the economy and a review of the revenue estimates. In addition, the expenditure plan for the budget year was updated for the Finance Letters issued through that date.

This May Revision includes a major review of the current year expenditures and their effect on the General Fund as well as Enrollment/Caseload/Population adjustments for the budget year. In addition, we have updated our estimates for the Cost-of-Living Adjustments (COLAs) and the impact of the Government Efficiency Team (GET) recommendations.

The final review of the GET recommendations has been completed. The teams have identified approximately $144 million in savings and $386 million in revenues generated by changing tax loopholes. Consequently, we have an estimated $530 million in GET savings and revenues. Specific details relating to the GET recommendations will be provided to the Legislature by Friday.

Our current estimate of the General Fund deficit as of June 30, 1983 is $885 million. This is approximately the same level as estimated after AB 28X. Estimates for June 30, 1984, providing for a $100 million reserve for Los Angeles County, show a balance available of $190 million which is primarily a result of the efforts by the GET.

Since the introduction of the Governor's Budget, we have provided periodic updates on the status of the General Fund to the fiscal committees. Our current plan is to prepare an update on the General Fund on May 20 for any significant changes to the expenditures. On June 2, we will be providing an update on both revenues and expenditures to the committees just prior to the beginning of Conference.

I will be available to discuss this revision with you at your convenience.

Very truly yours,

Michael Franchetti

MICHAEL FRANCHETTI
Director of Finance

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May 9, 1983

1983 MAY REVISION
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May 9, 1983

BUDGET UPDATE
GENERAL FUND
1982-83 AND 1983-84
(In Millions)

	1982-83 Projected Deficit June 30, 1983	1983-84 Projected Reserve June 30, 1984
January 10, 1983 Governor's Budget	-$1,457	$805
BUDGET CHANGES:		
Revenue[1]	--	--
1982-83 Rollover	--	-$885
Financial Legislation:		
AB 28X	$622	-11
AB 504--Local Mandate Claims Bill	-68	-72
AB 354--Deficiency Bill	-5	--
Other	-3	--
Education--Court Case	--	-1
April Revision Changes[2]	10	278
Legislative Analyst Cuts	--	11
SUBTOTAL BUDGET CHANGES	$556	-$680
REVISED DEFICIT/RESERVE	-$901	$125
MAY REVISION CHANGES		
Prior Year	-$16	--
Current Year	32	--
Budget Year	--	-$265
GOVERNMENT EFFICIENCY TEAM RECOMMENDATIONS	--	330 [3]
SUBTOTAL	$16	-$65
REVISED DEFICIT/RESERVE	-$885	+$190 [4]

[1] The revenue estimate as contained in the Governor's Budget is not changing at this time.

[2] Includes $91 million in Health and Welfare funding shift which was shown separately on the April Revision.

[3] Represents additional savings identified by the GET above the $200 million projected in the budget.

[4] AB 28X mandated that the General Fund finish Fiscal Year 1983-84 with a reserve of $100 million (by-product of SB 2012, LA County loan).

BUDGET UPDATE DETAIL
BUDGET CHANGES
GENERAL FUND
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
Revenues	--	--
A new economic forecast based on our latest estimates of the strength of the economy was completed in mid April, and while the figures and estimates have changed since the Governor's Budget was released in January, the change in total was not material enough to warrant the revision of revenue numbers.		
1982-83 Rollover	--	-$885
The Governor's Budget estimated a deficit for 1982-83 of approximately $1,457 million. The enactment of AB 28X reduced this deficit to approximately $900 million and allowed for the rollover of the deficit into 1983-84. Although various changes have occurred since passage of AB 28X they are generally offsetting and the estimated deficit for 1982-83 is still approximately $900 million.		
FINANCIAL LEGISLATION		
AB 28X	$622	-11
Current Year Impact		
The Governor's Budget proposed a two-phase solution to the anticipated year-end deficit. The first part of this solution, phase one, outlined specific areas that State expenditures could be frozen or in some cases eliminated. Phase one also identified various special funds that could be transferred to the General Fund. The total savings generated by these phase one options would be $750 million.		
AB 28X is the legislation that accomplished the majority of these deficit reductions. Through negotiations with the Legislature a total reduction of $611.2 million was attained, $622 million in 1982-83.		

BUDGET UPDATE DETAIL
BUDGET CHANGES
GENERAL FUND
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
FINANCIAL LEGISLATION (continued)		
AB 28X		
Budget Year Impact		
AB 28X results in an $28 million increase in expenditures in 1983-84 and $17 million increase in revenues and transfers. Since the Supreme Court decision not to hear the State's appeal, the PERS repayment will begin in 1983-84. AB 28X provides that employer contribution rates shall be increased by 1 percent for all retirement categories beginning July 1 of the fiscal year following the finding of the court and for a period of time necessary to repay the contributions withheld by Chapter 115 of the Statutes of 1982, plus interest. The impact of this provision will be a repayment cost in 1983-84 of approximately $28 million with the remaining balance of the total $185 million to be repaid over the subsequent years.		
AB 504--Local Mandate Claims Bill	-$68	-$72
AB 504 (Vasconcellos) is the first local mandate claims bill for 1982. As indicated in the Governor's Budget for 1983-84 (p. GG 176), last May the Board of Control approved estimates totalling approximately $68 million, which are included in AB 504. The $68 million represents the appropriation requested in SB 2099 of last session which was not enacted. There seems to be a general consensus that approximately $68 million ought to be paid in 1982-83 (it should be noted that actual disbursements from the General Fund for 1982-83 will be approximately $1 million with the balance being accrued). The $68 million represents expenditures by local government made primarily in previous years. DOF will be recommending in its analysis of AB 504 that $72 million be appropriated in 1983-84.		

BUDGET UPDATE DETAIL
BUDGET CHANGES
GENERAL FUND
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
FINANCIAL LEGISLATION (continued)		
AB 354--Deficiency Bill	-$5	--
Funds are required by various State agencies for unforeseen contingencies or emergencies for which no appropriation or an insufficient appropriation was made. Assembly bill 354 provides $432 million to fund the General Fund deficiencies. This is an increase of $5 million over the amount projected in the Governor's Budget.		
Other	-3	--
SB 4X (various appropriations for senior nutrition and supportive services programs) and SB 17X (for payment of expenses in connection with sale of registered reimbursement warrants) were both chaptered since the presentation of the Governor's Budget and have increased General Fund expenditures.		
Education--Court Case		
Larry P. The State has agreed to pay $.975 million in attorney fees. If no funds are appropriated for this, it is possible that the Federal court could order that amount taken out of the Department's budget.	--	-$1
April Revision Changes		
Current Year Impact	10	--
The April Revision identified $10 million in savings in the current year. These savings resulted from increased recovery of reimbursements for Central Service Costs from Federal Funds (SWCAP) by $6.7 million. (The Governor's Budget estimated a recovery of $11.5 million and the revised April estimate was $18.2 million). Secondly, the State Treasurer's Moratorium on the sale of General Obligation Bonds will save the General Fund approximately $3.1 million in interest cost accrual for 1982-83.		

BUDGET UPDATE DETAIL
BUDGET CHANGES
GENERAL FUND
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
April Revision Changes (continued)		
Budget Year Impact	--	$278
In April Finance Letters were prepared as a part of the normal budget process adjusting appropriation requests as presented in the proposed budget. Total changes submitted with the April Revision will save the General Fund $278 million for 1983-84. This includes $91 million which will be saved as a result of a Federal Funding shift in Health and Welfare.		
Legislative Analyst Cuts	--	11
The Legislative Analyst Office (LAO) recommended a number of areas in which reductions could be made. The Department of Finance concurs with approximately $40 million of the LAO's proposed recommendations. Approximately $29 million of the recommendations has been submitted as Finance Letters to the Legislature. (See Page 21 for further detail.)		

SUMMARY
MAY REVISION CHANGES

GENERAL FUND
(In Millions)

	Effect on Reserve	
	1982-83	1983-84
Water Resources	--	-$4.5
Health Services	+$47.1	-89.4
Developmental Services	--	-15.4
Mental Health	--	+5.8
Welfare--Social Services	-26.2	-118.7
Corrections	--	+1.5
Youth Authority	--	-7.6
K-12 Education	+19.2	-25.8
Special Education	-5.6	--
California State Universities	+2.3	--
Community Colleges	--	-7.9
Industrial Relations	--	-1.3
Judicial	+0.6	-0.6
Forestry	--	-0.3
Rehabilitation	--	-0.7
Credits from Federal Funds	+4.3	--
Other	-9.4	+0.2
TOTAL CHANGES	+$32.3	-$264.7

MAY REVISION DETAIL
GENERAL FUND
1982-83 AND 1983-84
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
Flood Control	--	-$4.5

The Department of Water Resources' (DWR) Flood Control Subventions Program reimburses local agencies for a portion of the nonfederal rights-of-way, relocation, and a capital costs of recreation and fish and wildlife enhancement associated with flood control projects constructed by the federal government.

To ensure that actual verifiable local agency costs for this program are funded, it is proposed to increase funding for this program by $4.3 million (GF) for prior year payable claims which are audited and approved for payment by the State Controller. In addition, $.2 million (GF) is proposed for advance claims which have been approved for payment by the Department of Water Resources is 1982-83.

Department of Health Services	$47.1	-89.4

The primary changes to the Department of Health Services' Budget are as follows:

Public Health Block Grant	(--)	(-4.9)

General Fund savings anticipated from the provision of a Public Health Block Grant were reduced by $4.9 million. The reduction in savings is principally due to the exclusion of various progams initially proposed in the Block Grant which have one or more of the following characteristics:

1. No local assistance funding.
2. Significant statewide responsibilities which cannot be assumed by separate local jurisdictions.
3. An economy-of-scale which would significantly add to local cost.
4. Claims payment unit for the federal Early Periodic Screening, Detection and Treatment Unit which cannot be block granted.

MAY REVISION DETAIL
GENERAL FUND
1982-83 AND 1983-84
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
County Health Services--COLA	(--)	($8.4)
The General Fund was reduced by $8.4 million. The Governor's Budget proposes a three percent COLA adjustment of $11.0 million, however, the statutorily-required COLA is 0.5 percent, $2.6 million.		
Medi-Cal	($45.8)	(-91.7)
For current year this revision is based on the Governor's Budget as revised by the deficiency appropriation, AB 354 (Ch. 19/83). For budget year, this revision is based on the Governor's Budget as submitted, plus the April 1 and April 8, 1983 Finance letters (-$91 million). This revision includes all caseload/user changes; increased federal funding in Federal Fiscal Year 1982, 1983, and 1984; hospital inpatient costs incurred because court rulings have prevented the State from implementing the six percent hospital inpatient cap; reduced AB 799/SB 2012 savings; and the carryover of bills from Fiscal Year 1981-82 to Fiscal Year 1982-83.		
Developmental Services	--	-15.4
This budget year increase in expenditures of $15.4 million includes (1) Regional Center caseload increases of $10.2 million; (2) an adjustment of $1.0 million to the cost of a three percent COLA; (3) a reduction of $1.6 million or an additional decrease in State hospital population; and (4) a funding shift of $5.8 million from the Department of Mental Health to realign the hospital appropriations to accurately reflect expenditures for DD vs. MD clients.		

MAY REVISION DETAIL
GENERAL FUND
1982-83 AND 1983-84
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
Department of Mental Health	--	$5.8
(Refer to item number 4 of the Developmental Services explanation.)		
Welfare--Social Services	-$26.2	-118.7
The revision to the current year is principally due to increased costs in SSI/SSP of $36.3 million. The primary reason for this increase is a higher than previously projected average grant award. Increased caseloads in AFDC and food stamps have resulted in increased costs in AFDC of $6.4 million and in County Administration of $3.1 million. Costs associated with court cases are down by $7.8 million. Cost of Social Services are down by $11.7 million. This is a result of lower expenditures in IHSS and a shift of $9.5 million in Child Abuse Prevention Programs from current year to budget year.		
The revision to the budget year is due primarily to (1) increased AFDC costs of $31.2 million which are due to increased caseload in AFDC-U, (2) increased cost in SSI/SSP of $34.2 million results from changes in unearned incomes available to offset grant costs and an increase in the average grant award, (3) increased COLA costs of $33.3 million resulting from Federal Law (HR 1900), and (4) the shift of $9.5 million from the current year for Child Abuse Prevention Programs.		
Corrections	--	1.5
The 1983-84 Governor's Budget is being revised by -$1.5 million to provide for a reduced inmate population growth of -$5.1 million and increased local assistance funding to provide for county costs of $3.6 million for parolee detention.		
Youth Authority	--	-7.6
The 1983-84 Governor's Budget, as originally submitted, projected a ward population of 5,303 by June 30, 1984. Revised population estimates as of April 30, 1983 indicate a population of 5,513 for an increase of 200 wards.		

MAY REVISION DETAIL
GENERAL FUND
1982-83 AND 1983-84
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
Youth Authority (continued)		
The 1983-84 Governor's Budget is being increased by $7.6 million due to increased ward population. The increased population is attributed to a steady increase in juvenile court commitments, a significant increase in parole violator returns, and a reduction in institutional time cuts.		
K-12 Education	$19.2	-$25.8
Although the current forecast of K-12 school district average daily attendance is greater than that on which the Governor's Budget was based, the estimated 1982-83 K-12 education deficiency is being reduced by $19.2 million. The 1982-83 deficiency in the appropriations for district revenue limit and county office of education apportionments, which was estimated in December to be $64.8 million, currently is expected to be $45.6 million. This decrease is due primarily to greater-than-anticipated increases in 1982-83 local property tax revenues of $16.7 million and State School Fund oil and mineral royalties of $19.8 million available to offset General Fund expenditures. Forecasted increases in district average daily attendance served to increase total estimated apportionments by about $17.4 million.		
For 1983-84, the May Revision reflects increased General Fund expenditures of $25.8 million. This net increase is composed of increased expenditures for district revenue limit apportionments of $49.4 million, county office apportionments of $1.7 million, adult education of $.5 million, cost-of-living adjustments of $.3 million; and decreased expenditures for pupil home-to-school transportation of $6.6 million, child nutrition of $.8 million, and reductions recommended by the Legislative Analyst of $18.8 million. The major causes of the increases in district revenue limit apportionments are increased average daily		

MAY REVISION DETAIL
GENERAL FUND
1982-83 AND 1983-84
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
K-12 Education (continued)		
attendance of $50.9 million and decreased local revenue of $9.6 million. Offsetting these increases is a reduction in the declining enrollment adjustment of $12.0 million and an increase in State School Fund Oil and Mineral royalties, which are used to offset General Fund expenditures by $5.0 million. Estimated expenditures for county offices have increased because of a reduced forecast of local revenues, which are used to offset General Fund expenditures. The $.514 increase in adult education is a technical adjustment reflecting the classification of adult average daily attendance as adult education ADA rather than regional occupational center and program ADA. The increase in cost-of-living adjustments is a technical adjustment, reflecting the impact of other May Revision changes. The decrease in home-to-school transportation expenditures is due to a shift of $2.5 million of transportation funding from the transportation item to the district revenue limit item, authorized by Section 42241.4 of the Education Code, and to a reduction in the estimate of approved transportation costs. The decrease in child nutrition expenditures is due to revised estimates of participation levels in the State-mandated child nutrition program.		
Special Education	-$5.6	--
The Administration currently is proposing to fund $5.6 million of the 1982-83 special education program deficiency because of a technical error made in computing the special education appropriation during the 1982 May Revision. The $5.6 million is related to a funding shift from the district apportionment item (6100-101-001) to the special education item (Item 6100-161-001). This shift reflects the transfer of San Francisco Unified School District's special education program to the San Francisco		

MAY REVISION DETAIL
GENERAL FUND
1982-83 AND 1983-84
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
Special Education (continued)		
County Office of Education. Although the 1982-83 district apportionment item was reduced by $5.6 million to reflect this transfer, the corresponding augmentation of the special education item was not made in May 1982.		
California State Universities	$2.3	--
The estimated $2.3 million 1982-83 reversion represents .24 percent of a $929 million General Fund appropriation. The year-end savings are not attributable to any one factor.		
Community College Property Tax Revenue	--	-$4.2
Recently revised projections indicate that local property tax revenues accruing to community college districts for the 1983-84 fiscal year will not be increasing as much as was anticipated when the Budget was prepared in January. State funding of community colleges must be increased by $4.2 million to offset this slippage and maintain the total level of program funding (State and local shares) intended in the initial Budget.		
Community College Fee Revenue	--	-3.7
In preparing the Governor's Budget, the amount of General Fund support required for community college apportionments was calculated based upon an estimate of the revenue community college districts would receive from the implementation of an annual mandatory fee of $100. That estimate was based on the Fall 1981 enrollment data which was the most recent available at that time. The Fall 1982 enrollment figures are now available and show a decline of 5.2 percent in total enrollment which results in a decrease of $3.7 million in the estimate of fee revenue receipts. Therefore, State funding must be increased by this amount to maintain the total level of program funding intended in the initial budget.		

MAY REVISION DETAIL
GENERAL FUND
1982-83 AND 1983-84
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
Uninsured Employer's Fund	--	-$1.3
The Uninsured Employers' Fund pays workers' compensation claims for workers whose employers do not carry workers' compensation insurance. The fund is supported through a combination of collections from responsible employers and an appropriation from the General Fund. In 1982-83, the number of cases adjudicated is projected to increase 17 percent above the level in the Governor's Budget. This increase, which results from the resolution of a large backlog of cases, will continue in 1983-84. In order to fund this additional cost, the Department of Industrial Relations will defer payment of $.7 million in current years claims until 1983-84. In addition, 1983-84 costs for claim payment is projected to increase $.6 million above the level reflected in the Governor's Budget. The total augmentation requested, therefore, is composed of the current year claims deferred until 1983-84 for payment of $.7 million, plus the increase projected for 1983-84 of $.6 million.		
Judicial	$0.6	-0.6
Due to the delay in appointing judges for the new Sixth District Court of Appeal, the Administration is proposing reappropriation of the court's one-time start-up costs. These total $.6 million.		
Forestry Local Fire Protection	--	-0.3
The Department of Forestry's proposed 1983-84 budget currently contains $.1 million for a one percent COLA for contracted fire protection. An additional $.3 million would provide a total COLA of $.4 million, or three percent. This proposed three percent adjustment is consistent with the statewide COLA policy and more closely reflects expected fire suppression costs.		
Department of Rehabilitation	--	-0.7
The revised General Fund expenditure results from an increase in caseload in the Work Activity Program (WAP) and a corresponding increase in the cost of the three percent COLA.		

May 9, 1983

MAY REVISION DETAIL
GENERAL FUND
1982-83 AND 1983-84
(In Millions)

	1982-83 Effect on Deficit	1983-84 Effect on Reserve
Credits from Federal Funds (SWCAP)	$4.3	--

In addition to the increased recovery of central service costs identified in the April revision, it is now estimated that the General Fund will recover an additional $4.3 million in the current year.

1983 May Revision
Prior Year
General Fund Reserve Changes
(Dollars in Thousands)

	Appropriation Accruals	May Revision	Effect on Reserve
)ept of Housing & Community Development	15,416	5,541	9,875
)ept. of Transportation		5,194	-5,194
alif. Waste Management Board	6,417	2,577	3,840
)ff. Statewide Health Planning-Development	-2,927	720	-3,647
)ept. of Health Services	-5,318	-2,086	-3,232
)ept. of Developmental Services	-766	5,274	-6,040
ental Health	137,231	148,001	-10,770
mployment Development Dept.	18,632	15,626	3,006
FDC		6,956	-6,956
)ecial Social Services		14,874	-14,874
her Social Services	42,394	4,396	37,998
ounty Administration		12,259	-12,259
alif. Correctional Institution	8,946	877	8,069
ducation	24,632	45,042	-20,410
sst. to Counties for Def of Indigents		3,476	-3,476
ugmentation for Med Fly Erad Program		-3,781	3,781
eneral Fund Credits from Federal Funds		-4,998	4,998
11 Others	482,321	483,054	-733
Total	726,978	743,002	-16,024

1983 May Revision
Current Year
(Dollars in Thousands)

	Governor's Budget	Legislation Changes *	April Revision Changes	May Revision Changes	Revised Governor's Budget
AFDC	1,327,672			-1,360	1,326,312
Developmental Svs (incl. hosp)	540,160	28		150	540,338
Medi-Cal	2,732,146	-3,770		-42,000	2,686,376
All other Health Services	564,169	-6,996		-1,346	555,827
Mental Health (incl. hosp)	565,020	-266		4,415	569,169
Employment Development Dept.	53,347	-5,290		310	48,367
SSI/SSP	1,104,161			36,319	1,140,480
All other Social Services	470,068	-7,494		-2,846	459,728
Corrections	497,484	3,961		9	501,454
Youth Authority	236,479	-804		683	236,358
K-12 Elementary Education	7,413,488	-58,706		-15,087	7,339,695
Special Education	29,025			-105	28,920
All other Education	324,082	-1,840		-1,869	320,373
Community Colleges	1,068,210	-10,545		-15	1,057,650
CSU	928,950	-18,579		-2,305	908,066
UC	1,148,438	-22,969			1,125,469
Debt Service	264,484		-3083		261,401
GF Credits from Fed Funds	-11,500		-6700	-4,324	-22,524
All other expenditures	2,851,047	-51,068		-2,930	2,797,049
Est. Unidentifiable Savings	-50,000				-50,000
Local Mandate Claims (AB 504)		68,000			68,000
Total	22,056,930	-116,338	-9,783	-32,301	21,898,508

* Includes expenditure changes reflected in chaptered legislation (AB 354 - Deficiency Bill, AB 28X SB 4X, SB 17X)

May 9, 1983

FINANCE LETTER DETAIL
GENERAL FUND
(In Thousands)

April Revision	Effect on 1/ Reserve
Judiciary	-$1,446
State Lands Commission	-1,119
Parks and Recreation	+1,200
Employment Development Department	+1,186
Department of Social Services	-1,144
Department of Corrections	+1,105
Youth Authority	+22,057
University of California	-3,500
California State University and Colleges	-16,936
Board of Governors	-10,100
Office of Criminal Justice Planning	-1,555
Assistance to Counties for Defense of Indigents	-3,000
General Tax Relief	+9,000
State Mandate Local Programs	-19,390
General Fund Credits from Federal Funds	+10,900
Interest on General Fund Loans	-74,000
Debt Service	+4,006
Local Governments	+16,000
Price	+76,642
Various	-1,840
All Other	-3,629
Subtotal	+$4,437
Department of Health Services	+90,950
Total per April Revision 2/	+$95,387
May Revision	
Department of Water Resources	-$4,499
Department of Health Services	-89,302
Department of Developmental Services	-15,368
Department of Mental Health	+5,801
Department of Social Services	-118,724
Department of Corrections	+1,500
Department of the Youth Authority	-7,598
Department of Education	-25,806
Board of Governors	-7,920
Uninsured Employers' Fund	-1,294
All Other	-1,552
Total per May Revision	-$264,762
Grand Total	-$169,375

1/ Includes approximately $29 million of expenditure reductions recommended by Legislative Analyst concurred in by the Administration. (See page 20 for further detail.)

2/ Includes expenditure impact only. The April Revision included an additional $183 million in nonexpenditure adjustments.

GENERAL FUND
COST-OF-LIVING INCREASES
(In Thousands)

May 9, 1983

1983-84

Agency/Department/Program	1% Dollar Increase	STATUTORY Percent Increase	STATUTORY Dollar Increase	BUDGET Percent Increase	BUDGET Budget as Proposed 1/10/83	BUDGET Percent Increase	BUDGET Revised Escalation Factors
HEALTH AND WELFARE							
Alcohol and Drug Abuse Block Grant	$638	--	--	--	--	--	--
Health Services							
County Health Services	3,630	0.5	$2,420	3.0	$11,024	0.5	$2,601
Medically Indigent Adults	4,908	--	--	3.0	13,872	3.0	13,872
Medi-Cal-Hospital Inpatient	2,438	8.2	19,988	--	--	8.2	7,418 a/
Medi-Cal-Drug Ingredients	494	8.0	3,953	3.0	1,155	3.0	1,482
Medi-Cal-"Spin-off"	1,048	5.7	5,974	--	-- b/	--	-- b/
PHP's CDS and RHF	1,344	-- c/	--	3.0	4,026	3.0	4,033
Nursing Homes, including State Hospitals	4,202	-- c/	--	3.0	12,606	3.0	12,607
Medi-Cal Providers, all others	3,838	--	--	3.0	12,650	3.0	11,515
Medi-Cal-County Admin & EPSDT	591	--	--	3.0	1,806	3.0	1,774
Public Health-Block Grant	1,031	--	--	--	--	--	--
Public Health-Other	11	--	--	3.0	22	3.0	33
Dev Serv--Regional Centers	3,080	--	--	3.0	8,274	3.0	9,239
Local Mental Health Programs	3,120	--	--	3.0	9,362	3.0	9,362
Social Services							
SSI/SSP	32,207	5.7	183,579	2.1	72,267	2.2 e/	105,943 d/
AFDC	14,348	5.7	81,783	--	--	--	--
IHSS-Statutory	148	5.7	845	3.0	401	3.0	439
Community Care License	27	--	--	3.0	248	3.0	81
County Administration	1,237	--	--	3.0	3,470	3.0	3,711
IHSS--Nonstatutory	2,366	--	--	3.0	7,411	3.0	7,097
Social Services--Other	1,711	--	--	3.0	5,337	3.0	5,134
Department of Rehabilitation	381	10.9	4,150	3.0	1,122	3.0	1,142
YOUTH AUTHORITY							
County Justice System	628	--	--	--	1,884 e/	--	-- e/
EDUCATION	(100,415)	--	(674,542)	--	(543,859)	--	(541,730)
Apportionments:							
K-12-Districts	73,910	7.5	555,061	6.0	446,973	6.0	448,184
Special Adjustment for Low Wealth Districts	--	--	--	--	34,678	--	33,967
Transportation	1,494	--	--	3.0	4,681	3.0	4,482
Court Mandates	1,287	--	--	--	--	--	--
Adult Education	887	6.0	5,324	3.0	1,384	3.0	1,357
K-12-County Offices of Educ	1,469	7.4	10,867	3.0	4,380	3.0	4,406
Reg Occup Ctrs/Programs	1,548	7.4	11,455	3.0	5,038	3.0	4,645
Adults in Correctional Fac	12	--	--	3.0	36	3.0	36
Child Nutrition	253	8.3	2,163	3.0	783	3.0	760
Indian Educ Centers	8	--	--	3.0	24	3.0	24
Child Care Program	2,182	--	--	3.0	6,546	3.0	6,546
Master Plan for Special Educ	12,069	7.4	89,672	3.0	36,249	3.0	36,249
Preschool	303	--	--	3.0	909	3.0	909
Division of Libraries f/	55	--	--	3.0	165	3.0	165
Urban Impact Aid	671	--	--	3.0	2,013	--	--
Education Block Grants	4,259	--	-- g/	--	--	--	--
Bd of Gov, Ca Com Coll							
Apportionments	14,094	--	--	--	--	--	--
Handicapped Student Services	184	--	--	3.0	552	3.0	552
EOPS	247	--	--	3.0	741	3.0	741
Student Aid Commission	885	--	--	3.0	2,655	3.0	2,448
CSU-EOPS	66	--	--	3.0	198	3.0	198
ALL OTHERS							
Forestry Local Fire Protection	132	5.0	647	1.0	132	3.0	388
Teachers' Retirement Benefit Increase	4,107	--	20,535 h/	--	--	--	--
Food and Ag--County Pesticide	29	--	--	3.0	87	3.0	87
Personal Property Tax Relief	5,036	4.4	22,158	--	--	--	--
Employee Compensation	38,000	--	--	5.0	190,000	5.0	190,000
Retired Annuitants	--	--	--	5.0	20,559	5.0	20,559
TOTALS	$246,621	--	$1,020,574	--	$925,720	--	$954,186

1 Percent Increases (In Millions)		Budget as Proposed (In Millions)	
Statutory	$156	Statutory	$597
Other Discretionary	53	Other Discretionary	118
Employee Compensation	38	Employee Compensation	211

a/Non-contracting hospitals only.
b/With no AFDC COLA there is no Medi-Cal "spin-off" cost.
c/PHP and nursing home statutory COLAs are based on trend data and rate studies which are not available at this time.
d/Reflects minimum Federal pass through on July 1, 1983 and cost of SSI COLA on January 1, 1984. The percent of increase reflects the July 1, 1983 increase.
e/Deleted per DOF letter dated April 1, 1983 (-$1,884).
f/Amount does not reflect program increase associated with SB 358.
g/Existing statutes provide a 6 percent increase at a cost of $1,014 thousand for the Gifted and Talented categorical program and 6.1 percent at a cost of $2,496 thousand for the Instructional Material categorical program. Funding for these programs is provided within the Education block grant.
h/SB 1562 (Ch. 1606/82) requires 5 percent of past three-year average increase in teachers' salaries for 75 percent Purchasing Power Protection for retired teachers.

RECONCILIATION OF THE
BUDGET UPDATE
GENERAL FUND
(In Millions)
1982-83

	Beginning Resources	Revenues	Transfers	Expenditures	Carry Over into Budget Year	Ending Balance
GOVERNOR'S BUDGET January 10, 1983	$116	$20,050	$440	$22,057	-$6	-$1,457
		$20,490				
BUDGET CHANGES May 9, 1983						
Financial Legislation:						
AB 28X		$133	$297	-$192		
AB 504--Local Mandate Claims Bill				68		
AB 354--Deficency Bill				5		
Other				3		
April Revision				-10		
Subtotal Budget Changes	--	$133	$297	-$126	--	$556
MAY REVISION CHANGES	-16	--	--	-32		16
ADJUSTED BALANCE May 9, 1983	$100	$20,183	$737	$21,899	-$6	-$885
		$20,920				

RECONCILIATION OF THE
BUDGET UPDATE
GENERAL FUND
(In Millions)
1983-84

	Beginning Resources	Revenues	Transfers	Expenditures	Carryover into the Budget Year	Ending Balance
GOVERNOR'S BUDGET January 10, 1983	$6	$22,109	$370	$21,677	-$3	$805
		$22,479				
BUDGET CHANGES May 9, 1983						
1982-83 Rollover	-$885					
Financial Legislation:						
AB 28X		$11	$6	$28		
Local Mandate Claims Bill				72		
Education				1		
April Revision Finance Letters		99	84	-95 a/		
LAO Cuts			8	-3		
Subtotal Budget Changes	-$885	$110	$98	$3	--	-$680
MAY REVISION CHANGES				$265		-$265
GOVERNMENT EFFICIENCY TEAM		$380	$6	$56		+330
ADJUSTED BALANCE May 9, 1983	-$879	$22,599	$474	$22,001	-$3	+$190 b/
		$23,073				

a/ Includes impact of Health and Welfare funding shift of $91 million.
b/ AB 28X mandated that the General Fund finish Fiscal Year 1983-84 with a reserve of $100 million (by-product of SB 2012, LA County loan).

LEGISLATIVE ANALYST'S RECOMMENDATIONS CONCURRED IN BY FINANCE
GENERAL FUND REDUCTIONS AND TRANSFERS

Department and Item No.	Brief Description of Recommendation	Amount (In Thousands)
APRIL REVISION		
Corrections 5240-001-001	Reduce security for Patton State Hospital	$979
Tax Relief 9100-101-001	Elimination of business inventory reimbursements for enterprise special districts	9,000
	April Revision Total	$9,979
MAY REVISION		
Education 6100-101-001	Restrict regional Occupational Center and Program (ROC/P) high school enrollment to 11th and 12th grade pupils.	$13,026
Education 6100-156-001	Eliminate General Fund support for home economics and health/safety adult education courses.	3,735
Education	Eliminate COLA for Urban Impact Aid	2,013
	May Revision Total	$18,774
OTHER		
Social Services 5180-151	Reduce funds for Family Protection Act included in OCSS.	$1,600
Health Services Non-Budget Act	Revert Local Health Capital Expenditure Account (LHCEA) interest earning and unspent project funds after project completion to the General Fund rather than the LHCEA.	924
California Housing Finance Agency 2260-001-501	Chapter 1043/79 appropriated $82 million from the General Fund to provide low and moderate income housing. Of the $82 million, $37.5 million was to be administered by the California Housing Finance Agency (CHFA). $5.5 million of CHFA's $37.5 million remains unallocated.	5,500
CALTRANS	Proposes various reductions in ridesharing programs.	2,838
	Totals, Other	$10,862
	GRAND TOTAL	$39,615

IMPACT OF AB 28X
GENERAL FUND
(In Thousands)

	Effect on Reserve
Revenues:	
Revenue Acceleration	$144,000
1982-83 Impact	133,000
1983-84 Impact	11,000
Transfers:	
Renewable Resources Investment Fund	600
Emergency Telephone Number Account	48,800
SAFCO (Corrections)	10,615
California Toll Bridge Authority	12,500
State School Lease Purchase	125,000
Surface Mining/Reclamation	400
Transportation Planning and Development	20,000
Ridesharing and Alternative Transportation	6,000
Local Government Fiscal Relief	29,000
Tidelands	37,000
Off-Highway Vehicle Fund	13,000
Total Transfers	$302,915
1982-83 Impact	296,915
1983-84 Impact	6,000
Expenditures:	
2% Unallotment	$65,000 a/
Deferred Maintenance	40,000
Department of Social Services	6,000
Department of Health Services	5,200
EDD	4,600
Education	69,000
General Government	2,500
PERS	-28,000
Total Expenditures	$164,300
1982-83 Impact	192,300
1983-84 Impact	-28,000
Total Impact of AB 28X	$611,215
1982-83 Impact	622,215
1983-84 Impact	-11,000

a/Not included in AB 28X. Will be implemented administratively.

IMPACT OF AB 354
DEFICIENCY BILL
GENERAL FUND
(In Thousands)

Department	Governor's Budget	Changes	Total
STATE OPERATIONS			
Contributions to Judges' Retirement	--	+$54	$54
Lieutenant Governor's Office	--	+94	94
Public Employees Retirement System	$17	--	17
Department of Forestry	10,000	--	10,000
California Medical Assistance Commission	22	-22	--
Department of Corrections	7,016	--	7,016
Board of Prison Terms	132	--	132
Board of Governors of California Community Colleges	--	+525	525
California Maritime Academy	69	-69	--
Military Department	236	--	236
Payment of Interest on General Fund Loans	25,000	-11,000	14,000
Augmentation for Employee Compensation	13,797	--	13,797
Totals, State Operations	$56,289	-$10,418	$45,871
LOCAL ASSISTANCE			
Judicial	--	+$1,103	$1,103
Contributions to Judges' Retirement	--	+625	625
Salaries of Superior Court Judges	--	+927	927
Department of Health Services	$300,270	-3,770	296,500
Department of Developmental Services	--	+346	346
Department of Corrections	--	+6,400	6,400
Department of the Youth Authority	200	--	200
Department of Education	64,800	--	64,800
Payment to Counties for Costs of Homicide Trials	875	--	875
Tax Relief	4,263	+10,000	14,263
Totals, Local Assistance	$370,408	+$15,631	$386,039
Total Requirements	$426,697	+$5,213	$431,910